



Auditor of Public Accounts
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Harmon Releases Audit of Trimble County Sheriff's Tax Settlement

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the sheriff's settlement-2014 taxes for Trimble County Sheriff Tim Coons. State law requires the auditor to annually audit the accounts of each county sheriff. In compliance with this law, the auditor issues two sheriff's reports each year: one reporting on the audit of the sheriff's tax account, and the other reporting on the audit of the fee account used to operate the office.

Auditing standards require the auditor's letter to communicate whether the sheriff's settlement presents fairly the taxes charged, credited and paid in accordance with accounting principles generally accepted in the United States of America. The sheriff's settlement is prepared on the regulatory basis, which is described in the auditor's opinion letter. Regulatory basis reporting for the sheriff's settlement is an acceptable reporting methodology, and this reporting methodology is followed for all 120 sheriff settlements in Kentucky.

The sheriff's financial statement fairly presents the taxes charged, credited and paid, for the period, April 16, 2014 through April 15, 2015 in conformity with the regulatory basis of accounting.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

The Sheriff's office has a lack of segregation of duties over receipts, disbursements, and bank reconciliations. The Sheriff's Office has a lack of segregation of duties over receipts, disbursements, and bank reconciliations. The Sheriff's bookkeeper batches receipts to a daily collection report, prepares the deposit ticket, takes the deposit to the bank, prepares tax

disbursement reports, prepares checks, signs the checks, and reconciles the bank account. There is no independent review in place. A lack of segregation of duties increases the risk of inaccurate financial reporting and/or the misappropriation of assets. Furthermore, a proper segregation of duties protects employees in their day-to-day functions.

We recommend the Sheriff either segregate the duties over receipts, disbursements, and bank reconciliations, or implement compensating controls. Examples of compensating controls are that the Sheriff or his designee:

- Review the deposit ticket to ensure it agrees with the daily collection report.
- Review the disbursements checks to ensure they agree to the corresponding monthly tax distribution report.
- Review the bank reconciliations to ensure they account for all receipts and disbursements activity.

Reviews should be documented by initials of the reviewer on the deposit tickets, daily collection reports, and bank reconciliations. The Sheriff should sign the checks and monthly distribution reports, evidencing his review.

Sheriff's response: No response.

The Sheriff's office should strengthen controls over tax receipts. The Sheriff does not batch receipts daily or make deposits daily. The deposit ticket amounts are not reconciled to the tax collection report amounts to ensure cash and checks are deposited intact. The Sheriff received two tax bill payments in October 2014 that were not reconciled to the collection report. The Sheriff held the cash until April 17, 2015 when the two taxpayers notified the Sheriff they were not delinquent and provided copies of their paid tax bills. The Sheriff posted these payments to the tax system and deposited the funds at that time.

The Sheriff does not have policies and procedures in place to ensure that receipts are batched and deposited daily, and that the deposit ticket amounts for cash and checks are reconciled to the amounts on the tax collection reports. When receipts are not batched daily, deposited daily, and reconciled to the tax collection reports, the risk of misstatements in financial reporting due to errors or fraud increases. Furthermore, the risk that assets are misappropriated increases. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, requires receipts to be batched and deposited daily intact. We recommend the Sheriff implement procedures to ensure that tax receipts are batched daily, deposited intact daily, and that the tax collection report cash and check amounts are reconciled to the deposit ticket cash and check amounts.

Sheriff's response: No response.

The sheriff's responsibilities include collecting property taxes, providing law enforcement and performing services for the county fiscal court and courts of justice. The sheriff's office is funded through statutory commissions and fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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